

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 ACDA-07 MC-02 EB-08 TRSE-00 OMB-01
/086 W

-----251916Z 110318 /43

R 251514Z APR 77
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 1514
INFO USDOC WASHDC
SECDEF WASHDC
AMEMBASSY BERN
AMEMBASSY STOCKHOLM
AMEMBASSY PARIS
AMEMBASSY TEL AVIV
USCINCEUR VAIHINGEN GERMANY

C O N F I D E N T I A L VIENNA 3282

EO 11652: GDS
TAGS: BEXP, BBAK, MASS, AU
SUBJECT: SALES PROSPECTS FOR NORTHROP F-5E TO AUSTRIA

REF: A. DSAA (TS) 711/77, P 212245Z APR 77; B. STOCKHOLM 1719

1. AS DEPARTMENT IS AWARE, GOA HAS UNDER CONSIDERATION PURCHASE OF 24 HIGH-PERFORMANCE INTERCEPTOR AIRCRAFT. FOREMOST UNDER CONSIDERATION ARE THE ISRAELI KFIR C2, SWEDISH VIGGEN JA37, FRENCH MIRAGE F-10, AND NORTHROP F-5E. PROTRACTED DISCUSSION OF A NUMBER OF INTERRELATED FACTORS-TECHNICAL PERFORMANCE, PRICE, POLITICAL CONSIDERATIONS, BUDGETARY RESTRICTIONS--AND, IN RELATION TO THIS, INCREASING INTEREST IN OFFSET ARRANGEMENTS, HAS STALLED ANY DECISION BUT KEPT THE ISSUE IN THE HEADLINES. REPORTEDLY CHANCELLOR KREISKY PERSONALLY FAVORS THE KFIR. WE DO NOT ANTICIPATE ANY DECISION IN THE IMMEDIATE FUTURE, BUT ONE MAY
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BE REACHED BY LATE SUMMER. LOCAL PRESS IS REPORTING THAT THE ONLY TWO CONTENDERS LEFT ARE THE KFIR AND THE VIGGEN: THE FIRST BECAUSE OF ITS LOWER PRICE AND ISRAEL'S OFFER OF FULL ECONOMIC COMPENSATION (OFFSET); THE OTHER BECAUSE OF ITS ALL-WEATHER CAPABILITIES APPEAL TO MILITARY EXPERTS AND BECAUSE PARTIAL OFFSET REPORTEDLY HAS BEEN OFFERED.

2. AFTER SOUNDINGS THIS WEEK AMONG AUSTRIAN MILITARY OFFICIALS, NORTHROP REPRESENTATIVES NORVAL HEATH (AIRCRAFTING MARKETING REGIONAL DIRECTOR FOR EUROPE BASED

AT HAWTHORNE, CALIFORNIA OFFICE) AND WALTER BYERS (BONN OFFICE) MET WITH CHARGE' AND DAO REPS TO EXPRESS CONCERN OVER WHAT THEY NOW SEE AS POOR PROSPECTS FOR THE F-5E UNLESS NORTHROP ACTS QUICKLY WITH SOME NEW INITIATIVE. THIS INITIATIVE, SAYS HEATH, SHOULD IDEALLY TAKE THE FORM OF AN OFFER OF ECONOMIC COMPENSATION TO THE GOA, SIMILAR TO THE OFFSET ARRANGEMENTS NOW IN EFFECT IN SWITZERLAND UNDER THE U.S.-SWISS MEMORANDUM OF UNDERSTANDING, WHEREBY NORTHROP GUARANTEED TO OFFSET 30 PERCENT OF COSTS OF THE SWISS-PURCHASED F-5E'S. ACCORDING TO HEATH, USG INVOLVEMENT IS SIMPLY PROMISE TO ASSIST IN CARRYING OUT OFFSET SHOULD PROGRAM NOT BE IMPLEMENTED WITHIN SEVEN YEARS. HEATH NOW INTENDS TO HAVE NORTHROP MAKE FORMAL APPROACH TO DEPARTMENT AND OTHER APPROPRIATE WASHINGTON AGENCIES FOR APPROVAL FOR AUSTRIA OF ARRANGEMENTS SUCH AS THOSE EMBODIED IN THE U.S.-SWISS MEMORANDUM. WITH THIS APPROVA, NORTHROP WOULD THEN OFFICIALLY MAKE OFFER TO GOA. (FYI: DURING SEPTEMBER 1976 VISIT TO AUSTRIA, NORTHROP VICE PRESIDENT C. ROBERT GATES DID IN FACT SENT LETTER TO DEFENSE MINISTER LUTEDNDORF ALLUDING TO ARRANGEMENT IN SWITZERLAND AND NOTING NORTHROP WILLINGNESS TO FORMULATE SUC

A PROGRAM FOR AUSTRIA.)
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3. THE EMBASSY SUPPORTS NORTHROP'S JUDGMENT--EVEN THOUGH IT COMES LATE IN THE GAME--OF THE VALUE OF USING AN OFFER OF ECONOMIC COMPENSATION AS AN INCENTIVE. OTHERWISE, NORTHROP'S CHANCES AT THIS TIME ARE CERTAINLY DIM. THERE IS NO DOUBT THAT THE OFFSET FACTOR WILL PLAY A MAJOR ROLE IN THE SELECTION OF THE AIRCRAFT. USG APPROVAL, IF IT WERE TO BE GRANTED, SHOULD BE MADE KNOWN QUICKLY SINCE NORTHROP IS FIGHTING A TIME FACTOR.

4. EMBASSY APPRECIATES STATEMENT OF POLICY AND OTHER INFORMATION CNTAINED IN DEPARTMENT OF DEFENSE MESSAGE (REF. A) PLEASE ADVISE IF WE ARE CORRECT IN INFERRING THAT DOD AND DEPARTMENT SUPPORT OF UP TO 30 PERCENT OFFSET PROCUREMENT FOR AUSTRIA FOR TANK SALES IS ALSO APPICABLE TO AIRCRAFT PROCUREMENT. MEEHAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FIGHTER AIRCRAFT, DIPLOMATIC DISCUSSIONS, MILITARY SALES, OFFSET PAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 25-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
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Format: TEL
From: VIENNA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770421/aaaaarwb.tel
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Litigation Code IDs:
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Litigation History:
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Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STOCKHOLM 1719
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2700260
Secure: OPEN
Status: NATIVE
Subject: SALES PROSPECTS FOR NORTHROP F-5E TO AUSTRIA
TAGS: BEXP, BBAK, MASS, AU
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/211f969f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009